

HELP FOR AMERICA'S HOMEOWNERS.

[Name of Servicer]
[Address of Servicer]

[Name of Borrower]
[Name of Co-Borrower]
[Address of Borrower]

[Loan #]
[Servicer FAX]
[Servicer Email]

[Borrower Phone]
[Borrower Email]

[Date]

Dear [borrower and co-borrower name(s)]:

As your mortgage servicer, we are offering you the opportunity to participate in the federal government's **Home Affordable Foreclosure Alternatives** (HAFA) Program by utilizing the Deed-in-Lieu of Foreclosure (DIL) option to avoid foreclosure.

Home Affordable Foreclosure Alternatives Program – Deed-in-Lieu of Foreclosure

A “deed-in-lieu of foreclosure” is specifically designed to help borrowers who are unable to afford their first mortgage and want to avoid foreclosure. With a DIL, you voluntarily transfer ownership of your home and all real property secured by your mortgage loan (Property) to us to satisfy the total amount due on the first mortgage.

[Include or delete as appropriate.] While you previously entered into a Short Sale Agreement (and you complied with all your responsibilities), your Property did not sell. The DIL option will not allow you to keep your Property, however, it will prevent you from going through a foreclosure sale and it will release you from all responsibility to repay the mortgage debt. Additionally, you will be eligible to receive an assistance payment of \$3,000 to help with your moving expenses.

How Does a DIL Work?

- **Title**—You and all other occupants must vacate your Property and provide clear and marketable title with a general warranty deed or local equivalent by *[insert date at least 30 days after the date of this Agreement]*.
 - You must also be able to deliver marketable title free of any other liens. We will contribute up to six percent (6%) of the unpaid principal balance of each subordinate lien, not to exceed a total of \$6,000, toward paying off any subordinate lien holders.
 - We require each subordinate lien holder to release you from personal liability for the loans in order for the sale to qualify for this program, but we do not take any responsibility for ensuring that the lien holders do not seek to enforce personal liability against you. Therefore, we recommend that you take steps to satisfy yourself that the subordinate lien holders release you from personal liability.
- **Property Condition**—You must leave the house in broom-clean condition, free of interior and exterior trash, debris or damage, and all personal belongings must be removed from the Property. The yard must be clean and neat and you must deliver all the keys and controls (e.g., garage door openers) to us.
- **Transfer/Closing**—You may be required to sign standard pre-closing documents as well as attend a closing of the transfer of your Property where all borrowers on the mortgage must be present.

The following pages detail your responsibilities, additional information on the DIL process and the Terms and Conditions. **Additionally, this letter constitutes an agreement between us and you (“Agreement”).** If you agree to the terms of the Agreement and want to proceed with a DIL, you must complete, sign and return the Agreement back to us. If you have questions, please contact us directly between the hours of [insert hours] at [insert toll free number.]

Sincerely,

[Servicer Name]

DIL Program—Terms and Conditions

Other terms and conditions to the Deed-in-Lieu Agreement (“Agreement”):

1. **Property Maintenance and Expenses.** You are responsible for all property maintenance and expenses of your Property until you convey it to us including utilities, assessments, association dues, and costs for interior and exterior maintenance. Additionally, you must report any and all property damage to us and file a hazard insurance claim for covered damage. Unless insurance proceeds are used to pay for repairs or personal property losses, we may require that they be applied to reduce the mortgage debt.
2. *[Insert only if applicable.]* **Partial Mortgage Payments.** You will be required to make partial mortgage payments of \$_____ by the first day of each month, beginning on _____ 1, 20____, until title to your house is transferred to us. You are legally obligated to make the full amount of your current monthly mortgage payments. However, we will accept the new partial payment until you have conveyed your Property. The partial mortgage payments do not constitute a modification of your mortgage.
3. **Borrower Relocation Assistance.** If you comply with all your responsibilities under the Agreement, you will be entitled to an incentive payment of \$3,000 to assist with relocation expenses. If there is a formal closing and you have vacated your Property, you will receive your incentive payment at closing. If at the time of closing you have not vacated your Property, we will mail you a check within 5 business days from when you vacate your Property and deliver the keys to us. Similarly, if a formal closing is not conducted, we will mail you a check within 5 business days from the later of when you execute the deed to us or when you vacate your Property and deliver the keys to us. Only one payment per household is provided for the relocation assistance, regardless of the number of borrowers.
4. **Foreclosure Sale Suspension.** We may initiate or continue the foreclosure process as permitted by the mortgage documents; however, we will suspend any foreclosure sale date until the conveyance of your Property has been completed, provided you continue to abide by the terms and conditions of this Agreement.
5. **Satisfaction and Release of Liability.** If all of the terms and conditions of this Agreement are met, upon conveyance of your Property to us by General Warranty deed or the equivalent in the state where your Property is located, we will prepare and record a lien release in full satisfaction of the mortgage, foregoing all rights to pursue a deficiency judgment.
6. *[Insert only if applicable]* **Mortgage Insurer or Guarantor Approval.** The terms and conditions of the Agreement are subject to the written approval of the mortgage insurer or guarantor.
7. **Termination of This Agreement.** We may terminate this Agreement at any time if:
 - a. Your financial situation improves significantly, you qualify for loan modification, you bring the account current or you pay off the mortgage in full.
 - b. You fail to act in good faith with the Agreement.
 - c. A significant change occurs to the property condition or value.
 - d. There is evidence of fraud or misrepresentation.
 - e. You file for bankruptcy and the Bankruptcy Court declines to approve the agreement.
 - f. Litigation is initiated or threatened that could affect title to the property or interfere with a valid conveyance.
 - g. *[Insert only if applicable:]* You do not make the payments required under this Agreement.
8. **Settlement of a Debt.** The proposed transaction represents our attempt to reach a settlement of the delinquent mortgage. You are choosing to enter into this Agreement even though there is no guarantee that the transaction will be successful. In the event this transaction is unsuccessful, we may exercise our remedies under the mortgage, including foreclosure.
9. **Possible Income Tax Considerations.** The difference between the remaining amount of principal you owe and the current market value of the property must be reported to the Internal Revenue Service (IRS) on Form 1099-C as debt forgiveness. In some cases, debt forgiveness could be taxed as income. The amount we pay you for moving expenses may also be reported as income. We suggest that you contact the IRS or your tax preparer to determine if you may have any tax liability.
10. **Credit Bureau Reporting.** We will follow standard industry practice and report to the major credit reporting agencies that your mortgage was settled for less than the full payment. We have no control over, or responsibility for the impact of this report on your credit score. To learn more about the

